



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

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July 3, 1995

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M St NW Rm 222
Washington DC 20554

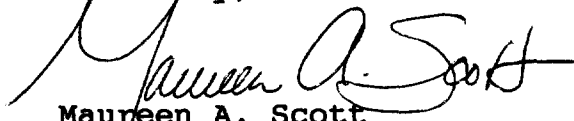
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JUL 5 1995
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Re: In the Matter of PETITION FOR RULEMAKING TO AMEND
PART 32 OF THE COMMISSION'S RULES TO ELIMINATE DETAILED
PROPERTY RECORDS FOR CERTAIN SUPPORT ASSETS; RM-8640

Dear Secretary Caton:

Enclosed for filing, please find an original and four (4)
copies of the comments of the Pennsylvania Public Utility
Commission in the above-captioned matter.

Sincerely,


Maureen A. Scott
Assistant Counsel

MAS/lw

Enclosure

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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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PETITION FOR RULEMAKING TO AMEND)
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TO ELIMINATE DETAILED PROPERTY)
RECORDS FOR CERTAIN SUPPORT ASSETS)

RM-8640

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COMMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

On May 5, 1995, the United States Telephone Association ("USTA") filed a Petition for Rulemaking which requests the FCC to initiate a proceeding to amend Part 32 of its rules, 47 C.F.R. Part 32, to eliminate detailed property record requirements for the support assets in six accounts.¹ In its place, USTA proposes that the Commission permit carriers to use vintage amortization level ("VAL") property records for the support assets contained in these accounts.

Pursuant to Title 52 of the Pennsylvania Public Utility Code, Section 63.32, Pennsylvania Class A and B jurisdictional telephone companies are required to keep their accounts in conformity with the FCC requirements codified at 47 C.F.R. Part 32. Therefore, the outcome of the USTA Petition will directly affect the accounting requirements prescribed by the Pennsylvania Public Utility Commission ("PaPUC"). Accordingly, PaPUC submits the following brief comments in response to USTA's Petition.

¹Support assets in the following Accounts would be affected by USTA's proposal: Account 2115 - Garage Work Equipment; Account 2116 - Other Work Equipment; Account 2122 - Furniture; Account 2123.1 - Office Support Equipment; Account 2123.2 - Company Communications Equipment; and Account 2124 - General Purpose Computers (personal computers and peripheral devices only).

Under USTA's proposal, the net book value of existing assets in each of the six accounts would be placed in a VAL group and amortized on a straight-line basis over the remaining life that results from the asset life chosen from the FCC approved range of lives. A VAL group would also be established for new purchases in each vintage for each account and amortized on a straight-line basis over the asset life chosen from the FCC approved range of lives. The assets and their associated reserves would be removed from the carriers' books when the cost of the related VAL group is fully amortized. Because salvage proceeds and their cost of removal are insignificant and cannot be identified with a specific vintage, salvage proceeds would be reflected as a reduction in amortization expense, and the cost of removal would be reflected as an increase in amortization expense.

The PaPUC supports the USTA Petition. The USTA Petition is consistent with PaPUC initiatives to streamline reporting requirements through the initiation of a proceeding to review and rescind all obsolete and excessive rules and regulations.² A preliminary analysis of the accounts of five Pennsylvania telephone companies, including the three largest, indicate a ratio of support assets to total assets between 3.5 to 7.3%, consistent with USTA's projections for other exchange carriers. While the PaPUC could not in the time period allotted for comment determine the validity of USTA's representations with respect to the high percentage of administrative costs related to maintenance of support asset accounts³, we believe that it is likely that existing accounting rules do require a considerable amount of time to monitor these assets

²See Advanced Notice of Proposed Rulemaking to Review and Rescind all Obsolete and Excessive Rules and Regulations, Docket No. L-950103, Entered May 23, 1995.

³USTA states that sixteen to twenty percent of some companies total administrative costs for accounting are incurred to comply with existing FCC rules governing support assets or plant which represents only six to seven percent of the gross plant balance.

both physically and through the accounting system.⁴

PaPUC also agrees with USTA that the proposed changes to support asset accounting should be considered in conjunction with USTA's recent petition to increase the dollar limit for expensing support assets. In this regard, we would suggest that the Commission consider establishing a value benchmark for individual property units which would determine the appropriate level of accounting. Amounts below a certain level would be expensed; VAL accounting would be permitted for the next highest level; and traditional Continuing Property Record ("CPR") unitization detail would be maintained for individual property units at the highest level. This would dovetail with USTA's proposal to maintain detailed property records for Account 2124 property units with larger dollar values (all items other than personal computers and peripheral devices).


The Commission requests comment on the availability of adequate internal controls under USTA's proposal to safeguard support assets. First, acceptance of the USTA proposal is predicated upon the assumption that support asset costs, relative to total rate base, do not justify the significant administrative costs involved in retaining existing safeguards. Second, VAL accounting should include normal accounting controls requiring support detail for VAL additions to plant, including voucher and journal entry audit trails. Additionally, all FCC and PaPUC accounting records preservation requirements should be retained. See 47 C.F.R. Part 42; and Title 52 of the Pennsylvania Public Utility Code, Section 63.35.

⁴USTA estimates that carriers currently maintain such records for over 220,000 new items purchased annually and for over 2,000,000 items currently embedded in industry's plant accounts.

Finally, in response to the Commission's inquiry concerning accounting for retirement of general support assets, the PaPUC supports the approach proposed by USTA in its Petition. The assets and their associated reserves would be removed from the carriers' books when the cost of the related VAL group is fully amortized. Adoption of VAL for general support assets below a certain dollar value eliminates the necessity to track plant and record retirements as the plant is removed from service.

In summary, consistent with the comments herein, the PaPUC supports USTA's Petition for Rulemaking to amend Part 32 of the Commission's rules to eliminate detailed property records for certain support assets. The Petition's stated purpose to reduce the significant amount of administrative work and attendant cost of maintaining detailed accounting records for the support assets is reasonable and dovetails with federal and State initiatives to reduce unnecessary and/or burdensome reporting requirements.

Respectfully submitted,


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Dated: July 5, 1995.